

CITY OF WEST BEND, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2006

City of West Bend, Iowa

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City of West Bend, Iowa

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City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Robert Klepper	Mayor	12-31-05
Joe Eoriatti	Mayor Pro Tem	12-31-05
Jeff Miller	Council Member	12-31-05
Mary Jane Hanselmen	Council Member	12-31-07
Paul Lauck	Council Member	12-31-07
Joe Montag	Council Member	12-31-07
Lisa Sewell	Clerk	Indefinite
Ardith Knecht	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite
(After January 2006)		
Robert Klepper	Mayor	12-31-07
Joe Eoriatti	Mayor Pro Tem	12-31-09
Mary Jane Hanselmen	Council Member	12-31-07
Paul Lauck	Council Member	12-31-07
Joe Montag	Council Member	12-31-07
Bruce Helleseeth	Council Member	12-31-09
Lisa Sewell	Clerk	Indefinite
Ardith Knecht	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Bend's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 20, 2006 on our consideration of the City of West Bend's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 51 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Bend's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

July 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of West Bend's Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2006 by \$6,471,511. Of this amount, \$2,455,623 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$383,505 during the year. Of this amount the assets of governmental activities increased \$276,227 and the assets of business activities increased by \$107,278.
- Total debt decreased by approximately \$190,027 during the 2005–2006 fiscal year. Of this amount, governmental activities retired \$81,675 of debt and business type activities retired \$108,352 of debt.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- ***Management's Discussion and Analysis*** – introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- ***Government-wide Financial Statements*** – consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- ***Fund Financial Statements*** – tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- ***Notes to Financial Statements*** – provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- ***Required Supplementary Information*** – further explains and supports the financial statements by showing budgetary comparisons.
- ***Other Supplementary Information*** – provides detailed information about the non-major governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies.

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. The statements report the City's net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities are divided into two activities:

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- **Governmental Activities** – Most of the City's basic services are reported here. They include Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** – This activity includes the Waterworks, the Sanitary Sewer System, the Electric Utility, the Gas Utility and the Solid Waste/Recycling Collection. These activities are financed primarily by user charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- **Governmental Funds** – These funds account for most of the City's basic services. The accounts focus on how money flows into and out of those funds and the balances at year-end that is available for spending. The governmental funds include 1) General Fund; 2) Special Revenue Funds; 3) Debt Service Fund; and 4) Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The financial statements required for governmental funds includes a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- **Proprietary Funds** – The Proprietary Funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Enterprise Funds include the Water, Sewer, Electric, Gas and Solid Waste activities which are all considered major funds of the City. The financial statements required for

proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2006.

	Governmental Activities	Business Type Activities	Total
Current and Other Assets	\$ 376,962	3,386,942	3,763,904
Capital Assets	498,592	4,965,383	5,463,975
Total Assets	875,554	8,352,325	9,227,879
Long-term Liabilities	263,601	2,012,100	2,275,701
Other Liabilities	369,893	110,774	480,667
Total Liabilities	633,494	2,122,874	2,756,368
Net Assets:			
Invested in Capital Assets, Net of Related Debt	498,592	2,961,383	3,459,975
Restricted	384	555,529	555,913
Unrestricted	(256,916)	2,712,539	2,455,623
Net Total Assets	\$ 242,060	6,229,451	6,471,511

\$555,913 of the City of West Bend's net assets (8.6%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets \$2,455,623 may be used to meet the City's ongoing obligations to citizens and creditors.

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The City of West Bend, as a whole, is able to report a positive balance in their net assets for fiscal year ending June 30, 2006.

Net assets of governmental activities increased from FY05 by approximately \$276,227.

Net assets of the business type activities increased from FY05 by approximately \$107,278.

The following analysis provides the changes in the net assets for the City's governmental and business type activities.

Governmental Activities	Business Type Activities	Total
----------------------------	-----------------------------	-------

Program Revenues:			
Charges for Service	\$ 13,855	2,251,344	2,265,199
Operating Grants, Contributions & Restricted Interest	171,111	–	171,111
Capital Grants, Contributions & Restricted Interest	67,497	–	67,497
General Revenues:			
Property Tax for General Purposes	162,224	–	162,224
Property Tax for Debt Service	146,976	–	146,976
Tax Increment Financing Revenue	47,679	–	47,679
Local Option Sales Tax	44,036	–	44,036
Local Hotel Motel Tax	12,700	–	12,700
Unrestricted Investment Earnings	13,291	83,032	96,323
Miscellaneous	22,677	–	22,677
Transfers	50,960	(50,960)	–
Total Revenue	753,006	2,283,416	3,036,422
Program Expenses:			
Public Safety	76,030	–	76,030
Public Works	44,273	–	44,273
Culture & Recreation	107,872	–	107,872
Community & Economic Development	169,720	–	169,720
General Government	45,955	–	45,955
Debt Service	32,929	–	32,929
Water	–	116,749	116,749
Sewer	–	109,771	109,771
Electric	–	1,105,037	1,105,037
Gas	–	761,069	761,069
Other Non-major	–	83,512	83,512
Total Expenses	476,779	2,176,138	2,652,917
Increase in Net Assets	276,227	107,278	383,505
Net Assets July 1, 2005	(34,167)	6,122,173	6,088,006
Net Assets June 30, 2006	\$ 242,060	6,229,451	6,471,511

At June 30, 2006, the City of West Bend's governmental funds reported a total fund balance of \$478,211. This is more than the \$387,877 total fund balance at June 30, 2005. The following are main reasons for the changes in fund balances of the major governmental funds from the prior year.

- **General Fund** – The General Fund (operating fund for the City of West Bend), ended FY06 with a \$258,026 balance compared to the previous year ending fund balance of \$193,606. This increase is due to a housing grant, street curb & gutter payments and a decrease in overall spending within each program in the general fund.
- **Road Use Fund** – The Road Use Fund accounts for revenue received from the State of Iowa for street purposes. The Road Use Fund ended FY06 with a \$56,854 balance compared to the previous year ending fund balance of \$51,894. This fund balance did not change a great deal over last fiscal year.
- **Tax Increment Financing Fund** – The Tax Increment Financing Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal projects. This fund ended FY06 with an \$817 balance compared to the previous year ending fund balance of \$1,363.
- **Debt Service Fund** – The Debt Service Fund ended FY06 with a \$384 balance compared to the previous year ending deficit balance of \$(10,405). The positive fund balance is due to the fact that the interest that accrued on the GO Bond for street improvements the first year of issuance was levied for within this fiscal year. Final payment on this issuance was made in June of 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- **Water Fund** – The Water Fund, which accounts for the operation of the City's water system, ended FY06 with a \$804,582 net asset balance compared to the prior year ending net asset balance of \$817,777. This decrease is due to system repairs.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY06 with a \$915,220 net asset balance compared to the prior year ending net asset balance of \$880,896. This increase is due to additional miscellaneous revenue generated from the payment of sanitary sewer installations.
- **Electric Fund** – The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY06 with a \$3,001,263 net asset balance compared to the prior year ending net asset balance of \$2,992,100. This increase is due to added revenue being generated through the use of a purchased power adjustment. This revenue generating mechanism was put in place to compensate for the unstable power costs.
- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY06 with a \$1,486,205 net asset balance compared to the prior year ending net asset balance of \$1,413,205.

BUDGETARY HIGHLIGHTS

During the fiscal year ending June 30, 2006, the City amended its budget once. The amendment was approved in March 2006. The amendment provided for additional disbursements due to power and fuel cost increases and unplanned disbursements associated with special projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings, and improvements, equipment, streets, storm sewer system, traffic controls and other infrastructure, represents the value of resources utilized to provide services

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to citizens. Capital assets for governmental activities totaled \$498,592 (net of accumulated depreciation) at June 30, 2006. Capital assets for business type activities totaled \$4,965,383 (net of accumulated depreciation) at June 30, 2006.

The major capital outlays for governmental activities during the fiscal year included the final lease payment on a loader and street improvements.

For major business activities, major additions included the water plant improvements and electric line rehabilitation and sanitary sewer improvements.

Construction in progress for business activities consists of a share in ownership of the Council Bluffs #4 power plant facility that is being built.

Long-Term Debt

At June 30, 2006, the City of West Bend has \$260,000 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$2,004,000 at June 30, 2006. More detailed information about the City's long-term debt is provided below:

- The City had \$260,000 in general obligation bonds/notes outstanding as of June 30, 2006. The general obligation bonds were issued to pay for water plant and distribution improvements.
- The City had \$2,004,000 in total revenue bonds/notes outstanding as of June 30, 2006. The revenue bonds were issued to pay for the construction of the sewer lagoon and electric CB#4 projects.

ECONOMIC FACTORS

The City of West Bend's elected and appointed officials and department heads considered many factors when setting the FY06 budget, tax rates and fees that will be charged for various City services and activities. There were no major changes to the expected revenues.

The tax levy rates per \$1,000 of taxable valuation for FY06 are provided below:

FY06 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.53177
Employee Benefits	1.10287
Debt Service	2.47518
Total	\$ 13.20982

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact City Clerk, City of West Bend, 301 South Broadway Avenue, PO Box 348, West Bend, Iowa 50597 or call (515) 887-2181.

Basic Financial Statements

Statement of Net Assets

June 30, 2006

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 472,027	1,991,320	2,463,347
Receivables:			
Property tax:			
Delinquent	1,982	-	1,982
Succeeding year	357,500	-	357,500
Customer accounts	-	283,208	283,208
Accrued interest	529	3,425	3,954
Due from other governments	3,370	-	3,370
Due from other funds	(471,900)	471,900	-
Inventories	-	112,866	112,866
Prepaid expenses	13,454	33,771	47,225
Bond issuance costs	-	14,676	14,676
Patronage dividends	-	13,885	13,885
Cost of obtaining gas allocation	-	1,050	1,050
Restricted assets:			
Cash	-	460,841	460,841
Capital assets (net of accumulated depreciation)	<u>498,592</u>	<u>4,965,383</u>	<u>5,463,975</u>
Total assets	<u>875,554</u>	<u>8,352,325</u>	<u>9,227,879</u>
Liabilities			
Accounts payable	7,868	93,699	101,567
Salaries and benefits payable	3,481	4,533	8,014
Sales tax payable	-	2,081	2,081
Deferred revenue:			
Succeeding year property tax	142,500	-	142,500
Succeeding year tax increment financing	215,000	-	215,000
Interest payable	1,044	6,522	7,566
Liabilities payable from restricted assets:			
Customer deposits	-	3,939	3,939

(continued)

Statement of Net Assets

June 30, 2006

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Liabilities (continued)			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	40,000	-	40,000
Revenue bonds/notes payable	-	102,000	102,000
Compensated absences	3,601	8,100	11,701
Portion due or payable after one year:			
General obligation bonds/notes	220,000	-	220,000
Revenue bonds/notes payable	-	1,902,000	1,902,000
Total liabilities	<u>633,494</u>	<u>2,122,874</u>	<u>2,756,368</u>
Net Assets			
Invested in capital assets, net of related debt	498,592	2,961,383	3,459,975
Restricted for:			
Debt service	384	-	384
Revenue bond retirement	-	98,627	98,627
Electric improvements	-	456,902	456,902
Unrestricted	(256,916)	2,712,539	2,455,623
Total net assets	<u>\$ 242,060</u>	<u>6,229,451</u>	<u>6,471,511</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2006

Functions/Programs:	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted
		Service	Interest	Interest
Governmental activities:				
Public safety	\$ 76,030	187	14,138	-
Public works	44,273	-	69,827	20,000
Culture and recreation	107,872	13,643	19,776	13,301
Community and economic development	169,720	25	67,370	34,196
General government	45,955	-	-	-
Interest on long-term debt	32,929	-	-	-
Total governmental activities	<u>476,779</u>	<u>13,855</u>	<u>171,111</u>	<u>67,497</u>
Business type activities:				
Water	116,749	103,359	-	-
Sewer	109,771	140,305	-	-
Electric	1,105,037	1,104,522	-	-
Gas	761,069	820,132	-	-
Other nonmajor	83,512	83,026	-	-
Total business type activities	<u>2,176,138</u>	<u>2,251,344</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,652,917</u>	<u>2,265,199</u>	<u>171,111</u>	<u>67,497</u>

General Revenues:

Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Local hotel/motel tax
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues

Change in net assets
Net assets beginning of year
Net assets end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business Type Activities	Total
(61,705)	-	(61,705)
45,554	-	45,554
(61,152)	-	(61,152)
(68,129)	-	(68,129)
(45,955)	-	(45,955)
(32,929)	-	(32,929)
<u>(224,316)</u>	<u>-</u>	<u>(224,316)</u>
-	(13,390)	(13,390)
-	30,534	30,534
-	(515)	(515)
-	59,063	59,063
-	(486)	(486)
<u>-</u>	<u>75,206</u>	<u>75,206</u>
<u>(224,316)</u>	<u>75,206</u>	<u>(149,110)</u>
\$ 162,224	-	162,224
146,976	-	146,976
47,679	-	47,679
44,036	-	44,036
12,700	-	12,700
13,291	83,032	96,323
22,677	-	22,677
50,960	(50,960)	-
<u>500,543</u>	<u>32,072</u>	<u>532,615</u>
276,227	107,278	383,505
<u>(34,167)</u>	<u>6,122,173</u>	<u>6,088,006</u>
<u>\$ 242,060</u>	<u>6,229,451</u>	<u>6,471,511</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Assets			
Cash	\$ 254,364	215,861	470,225
Receivables:			
Property tax:			
Delinquent	1,192	790	1,982
Succeeding year, including tax increment financing	142,500	215,000	357,500
Accrued interest	365	164	529
Due from other governments	-	3,370	3,370
Prepaid insurance	<u>13,454</u>	<u>-</u>	<u>13,454</u>
Total assets	<u>\$ 411,875</u>	<u>435,185</u>	<u>847,060</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,868	-	7,868
Salaries and benefits payable	3,481	-	3,481
Deferred revenue:			
Succeeding year property tax	142,500	-	142,500
Succeeding year tax increment financing	<u>-</u>	<u>215,000</u>	<u>215,000</u>
Total liabilities	<u>153,849</u>	<u>215,000</u>	<u>368,849</u>
Fund balances:			
Reserved for:			
Prepaid expenditures	13,454	-	13,454
Debt service	-	384	384
Unreserved, reported in:			
General fund	244,572	-	244,572
Special revenue funds	<u>-</u>	<u>219,801</u>	<u>219,801</u>
Total fund balances	<u>258,026</u>	<u>220,185</u>	<u>478,211</u>
Total liabilities and fund balances	<u>\$ 411,875</u>	<u>435,185</u>	<u>847,060</u>

See notes to financial statements.

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total governmental fund balances (page 13) \$ 478,211

**Amounts reported for governmental activities in the
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 498,592

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 1,802

Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds payable	(260,000)	
Accrued interest payable	(1,044)	
Due to other funds	(471,900)	
Compensated absences	(3,601)	(736,545)

Net assets of governmental activities (page 10) \$ 242,060

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:			
Property tax	\$ 145,472	64,250	209,722
Tax increment financing	-	146,977	146,977
Other city tax	132	56,785	56,917
Licenses and permits	3,230	-	3,230
Use of money and property	10,541	2,751	13,292
Intergovernmental	140,716	69,827	210,543
Charges for service	11,903	-	11,903
Miscellaneous	48,582	880	49,462
Total revenues	<u>360,576</u>	<u>341,470</u>	<u>702,046</u>
Expenditures:			
Operating:			
Public safety:			
Police	38,385	12,599	50,984
Civil defense	3,414	-	3,414
Fire	14,107	-	14,107
Animal control	419	-	419
	<u>56,325</u>	<u>12,599</u>	<u>68,924</u>
Public works:			
Roadway maintenance	8,243	90,384	98,627
Storm sewer	2,025	-	2,025
Street lighting	6,330	-	6,330
Traffic safety	1,166	-	1,166
Street cleaning	1,264	-	1,264
	<u>19,028</u>	<u>90,384</u>	<u>109,412</u>
Culture and recreation:			
Library	53,557	11,258	64,815
Parks	12,301	189	12,490
Ice skating	5,704	214	5,918
Community center	3,452	-	3,452
Swimming pool	32,046	1,084	33,130
Other	-	4,000	4,000
	<u>107,060</u>	<u>16,745</u>	<u>123,805</u>

(continued)

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Community and economic development:			
Community beautification	22,000	-	22,000
Economic development	48,624	42,186	90,810
Housing program	56,545	-	56,545
Planning and zoning	365	-	365
	<u>127,534</u>	<u>42,186</u>	<u>169,720</u>
General government:			
Mayor/council	3,131	153	3,284
City clerk/treasurer	16,300	248	16,548
Elections	817	-	817
Legal	4,564	-	4,564
General liability insurance	20,357	-	20,357
	<u>45,169</u>	<u>401</u>	<u>45,570</u>
Debt service	-	142,227	142,227
Total expenditures	<u>355,116</u>	<u>304,542</u>	<u>659,658</u>
Excess of revenues over expenditures	<u>5,460</u>	<u>36,928</u>	<u>42,388</u>
Other financing sources (uses):			
Operating transfers in	58,960	54,505	113,465
Operating transfers out	-	(65,519)	(65,519)
Total other financing sources (uses)	<u>58,960</u>	<u>(11,014)</u>	<u>47,946</u>
Net change in fund balances	64,420	25,914	90,334
Fund balances beginning of year	<u>193,606</u>	<u>194,271</u>	<u>387,877</u>
Fund balances end of year	<u>\$ 258,026</u>	<u>220,185</u>	<u>478,211</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 16) \$ 90,334

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	115,057	
Depreciation expense	<u>(43,954)</u>	71,103

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt principal repaid	81,675	
Decrease in accrued interest	<u>298</u>	81,973

(continued)

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2006

Increase in compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (2,399)

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities. 1,216

Interfund loans proceeds provide current financial resources in governmental funds, but issuing interfund loans increases interfund liabilities in the Statement of Net Assets. Repayment of interfund principal is an expenditure in the governmental funds, but the repayment reduces interfund liabilities in the Statement of Net Assets.

Principal repayments 34,000

Change in net assets of governmental activities (page 12) \$ 276,227

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Assets				
Cash	\$ 47,558	303,306	865,511	756,908
Accounts receivable	16,765	21,928	161,201	71,959
Interest receivable	22	184	2,345	863
Prepaid expenses	2,567	810	25,632	4,762
Inventory	10,129	-	99,033	3,704
Due from other funds	-	-	-	601,900
Restricted cash	-	-	456,902	-
Cost of obtaining gas allocation	-	-	-	1,050
Bond issuance costs	-	4,950	9,726	-
Patronage dividends receivable	-	-	13,885	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	119,408	349,666	1,046,946	-
Buildings and equipment	1,352,348	1,165,045	4,556,998	348,107
Less accumulated depreciation	<u>(609,705)</u>	<u>(444,420)</u>	<u>(2,644,365)</u>	<u>(280,395)</u>
Total assets	<u>940,092</u>	<u>1,401,469</u>	<u>4,598,564</u>	<u>1,508,858</u>
Liabilities				
Accounts payable	5,026	75	65,001	16,375
Salaries payable	254	254	2,476	1,549
Sales tax payable	-	-	-	2,081
Interest payable	-	1,690	4,832	-
Due to other funds	130,000	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	230	230	4,992	2,648
Bonds, notes, and loans payable	<u>-</u>	<u>484,000</u>	<u>1,520,000</u>	<u>-</u>
Total liabilities	<u>135,510</u>	<u>486,249</u>	<u>1,597,301</u>	<u>22,653</u>

Exhibit G

Other Nonmajor Enterprise <u>Funds</u>		<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
11,756	1,985,039	8,083	
11,355	283,208	-	
11	3,425	-	
-	33,771	-	
-	112,866	-	
-	601,900	-	
3,939	460,841	-	
-	1,050	-	
-	14,676	-	
-	13,885	-	
-	5,750	-	
-	1,516,020	-	
-	7,422,498	-	
-	(3,978,885)	-	
<u>27,061</u>	<u>8,476,044</u>	<u>8,083</u>	
7,222	93,699	-	
-	4,533	-	
-	2,081	-	
-	6,522	-	
-	130,000	-	
3,939	3,939	-	
-	8,100	-	
-	2,004,000	-	
<u>11,161</u>	<u>2,252,874</u>	<u>-</u>	

(continued)

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Net assets				
Invested in capital assets, net of related debt	733,051	586,291	1,444,329	67,712
Restricted for:				
Electric sinking	-	-	98,626	-
Electric improvements	-	-	456,902	-
Unrestricted:				
Reserved for improvements	10,346	-	643,716	-
Unrestricted, unreserved	<u>61,185</u>	<u>328,929</u>	<u>357,690</u>	<u>1,418,493</u>
Total net assets	<u><u>\$ 804,582</u></u>	<u><u>915,220</u></u>	<u><u>3,001,263</u></u>	<u><u>1,486,205</u></u>

See notes to financial statements.

Exhibit G

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund Self Insurance</u>
-	2,831,383	-
-	98,626	-
-	456,902	-
-	654,062	-
<u>15,900</u>	<u>2,182,197</u>	<u>8,083</u>
<u>15,900</u>	<u>6,223,170</u>	<u>8,083</u>

Reconciliation of the Statement of Net Assets -
Proprietary Funds to the Statement of Net Assets

June 30, 2006

Total proprietary fund balances (page 22)	\$ 6,223,170
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The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefits plan to individual funds. The assets of the Internal Service Fund are included in proprietary activities in the Statement of Net Assets.	<u>6,281</u>
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Net assets of business type activities (page 10)	<u><u>\$ 6,229,451</u></u>
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See notes to financial statements.

City of West Bend, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2006

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 96,522	133,695	1,085,557	811,014
Miscellaneous	<u>6,837</u>	<u>6,610</u>	<u>18,965</u>	<u>9,118</u>
Total operating revenues	<u>103,359</u>	<u>140,305</u>	<u>1,104,522</u>	<u>820,132</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	17,213	17,213	143,948	98,095
Purchased energy	-	-	578,397	592,181
Utilities	12,243	1,601	16,129	4,833
Repairs and maintenance	19,900	16,943	90,603	14,517
Other supplies and expenses	21,203	3,679	75,726	40,334
Depreciation	45,181	48,766	138,240	9,257
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>300</u>
Total operating expenses	<u>115,740</u>	<u>88,615</u>	<u>1,043,651</u>	<u>759,517</u>
Operating income (loss)	<u>(12,381)</u>	<u>51,690</u>	<u>60,871</u>	<u>60,615</u>
Non-operating revenues (expenses):				
Interest and dividend income	562	4,157	39,965	38,191
Interest expense	<u>(656)</u>	<u>(20,803)</u>	<u>(59,172)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(94)</u>	<u>(16,646)</u>	<u>(19,207)</u>	<u>38,191</u>
Net income (loss) before transfers	<u>(12,475)</u>	<u>35,044</u>	<u>41,664</u>	<u>98,806</u>
Transfers in (out)	<u>(720)</u>	<u>(720)</u>	<u>(32,501)</u>	<u>(26,154)</u>
Change in net assets	(13,195)	34,324	9,163	72,652
Net assets beginning of year	<u>817,777</u>	<u>880,896</u>	<u>2,992,100</u>	<u>1,413,553</u>
Net assets end of year	<u>\$ 804,582</u>	<u>915,220</u>	<u>3,001,263</u>	<u>1,486,205</u>
See notes to financial statements.				

Exhibit I

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
83,026	2,209,814	-
-	41,530	-
<u>83,026</u>	<u>2,251,344</u>	<u>-</u>
-	-	300
-	-	1,498
-	276,469	-
-	1,170,578	-
-	34,806	-
-	141,963	-
83,512	224,454	4,472
-	241,444	-
-	1,321	-
<u>83,512</u>	<u>2,091,035</u>	<u>6,270</u>
<u>(486)</u>	<u>160,309</u>	<u>(6,270)</u>
157	83,032	-
-	(80,631)	-
<u>157</u>	<u>2,401</u>	<u>-</u>
(329)	162,710	(6,270)
-	(60,095)	12,149
(329)	102,615	5,879
<u>16,229</u>	<u>6,120,555</u>	<u>2,204</u>
<u>15,900</u>	<u>6,223,170</u>	<u>8,083</u>

Reconciliation of the Statement of Revenues,
Expenses and Changes in Fund Net Assets -
Proprietary Funds to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - Total proprietary funds (page 25)	\$ 102,615
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The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.	<u>4,663</u>
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Change in net assets of business type activities (page 12)	<u><u>\$ 107,278</u></u>
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See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 101,597	138,631	1,073,275	815,239
Payments to suppliers and employees	<u>(67,905)</u>	<u>(40,322)</u>	<u>(909,089)</u>	<u>(748,833)</u>
Net cash provided by (used in) operating activities	<u>33,692</u>	<u>98,309</u>	<u>164,186</u>	<u>66,406</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(720)	(720)	(32,501)	(26,154)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(720)</u>	<u>(720)</u>	<u>(32,501)</u>	<u>(26,154)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	88,122	-	-	(54,124)
Purchases of capital assets	(119,408)	(305,161)	(601,053)	(2,488)
Principal paid on capital debt	-	(30,000)	(71,677)	(6,676)
Interest paid on capital debt	<u>(656)</u>	<u>(20,908)</u>	<u>(59,280)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(31,942)</u>	<u>(356,069)</u>	<u>(732,010)</u>	<u>(63,288)</u>
Cash flows from investing activities:				
Interest and dividends	<u>575</u>	<u>4,102</u>	<u>41,238</u>	<u>37,674</u>
Net cash provided by investing activities	<u>575</u>	<u>4,102</u>	<u>41,238</u>	<u>37,674</u>
Net increase (decrease) in cash and cash equivalents	1,605	(254,378)	(559,087)	14,638
Cash and cash equivalents beginning of year	<u>45,953</u>	<u>557,684</u>	<u>1,881,500</u>	<u>742,270</u>
Cash and cash equivalents end of year	<u>\$ 47,558</u>	<u>303,306</u>	<u>1,322,413</u>	<u>756,908</u>

Exhibit K

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
82,160	2,210,902	-
<u>(77,681)</u>	<u>(1,843,830)</u>	<u>(6,270)</u>
<u>4,479</u>	<u>367,072</u>	<u>(6,270)</u>
-	(60,095)	-
<u>-</u>	<u>-</u>	<u>12,149</u>
-	(60,095)	12,149
-	33,998	-
-	(1,028,110)	-
-	(108,353)	-
<u>-</u>	<u>(80,844)</u>	<u>-</u>
-	(1,183,309)	-
152	83,741	-
<u>152</u>	<u>83,741</u>	<u>-</u>
4,631	(792,591)	5,879
<u>11,064</u>	<u>3,238,471</u>	<u>2,204</u>
<u>15,695</u>	<u>2,445,880</u>	<u>8,083</u>

(continued)

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (12,381)	51,690	60,871	60,615
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	45,181	48,766	138,240	9,257
Amortization expense	-	413	608	300
Change in assets and liabilities:				
Receivables, net	(1,762)	(1,674)	(31,247)	(4,893)
Consumer deposits	-	-	-	-
Prepaid expenses	(760)	(81)	(8,027)	(1,527)
Inventory	(311)	245	(8,327)	1,799
Accounts and other payables	3,436	(1,339)	11,408	623
Accrued expenses	289	289	660	232
Net cash provided by (used in) operating activities	<u>\$ 33,692</u>	<u>98,309</u>	<u>164,186</u>	<u>66,406</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 47,558	303,306	865,511	756,908
Noncurrent assets:				
Cash	<u>-</u>	<u>-</u>	<u>456,902</u>	<u>-</u>
Cash and cash equivalents at year end	<u>\$ 47,558</u>	<u>303,306</u>	<u>1,322,413</u>	<u>756,908</u>

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
(486)	160,309	(6,270)
-	241,444	-
-	1,321	-
(866)	(40,442)	-
209	209	-
-	(10,395)	-
-	(6,594)	-
5,622	19,750	-
-	1,470	-
<u>4,479</u>	<u>367,072</u>	<u>(6,270)</u>
11,756	1,985,039	8,083
<u>3,939</u>	<u>460,841</u>	<u>-</u>
<u>15,695</u>	<u>2,445,880</u>	<u>8,083</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of West Bend is a political subdivision of the State of Iowa located in Palo Alto and Kossuth counties. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Bend provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water, sewer, electric, gas, and sanitation utilities.

The financial statements of the City of West Bend have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of West Bend has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet these criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Palo Alto County Joint E911 Service Board and Palo Alto and Kossuth County Compensation boards.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Electric Fund is used to account for the operation and maintenance of the City's electric utilities.

The Gas Fund is used to account for the operation and maintenance of City's gas system.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest on investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than twelve months.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2006 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2005.

Customer Accounts – Accounts receivable are recorded in the Enterprise Fund at the time the service is billed. Bad debt reserve of \$1,500 is netted against the balance of customer accounts.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories of materials and supplies are valued at cost using the first-in/first-out method. Inventories in the Enterprise funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and funds set aside through the City's agreement with North Iowa Municipal Electric Cooperative Association (NIMECA).

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 15,000
Equipment and vehicles	1,000
Infrastructure	20,000

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years

Bond Issuance Costs – Bond issuance costs associated with revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to

pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No.3, as amended by Statement No. 40.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2006

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,537</u>	<u>---</u>	<u>---</u>	<u>3,537</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	8,433	1,518	---	9,951
Machinery, equipment and vehicles	331,349	22,678	---	354,027
Infrastructure, road network	<u>250,221</u>	<u>90,861</u>	<u>---</u>	<u>341,082</u>
Total capital assets being depreciated	<u>731,003</u>	<u>115,057</u>	<u>---</u>	<u>846,060</u>
Less accumulated depreciation for:				
Buildings	135,382	502	---	135,884
Improvements other than buildings	1,686	1,977	---	3,663
Machinery, equipment and vehicles	161,406	24,430	---	185,836
Infrastructure, road network	<u>8,577</u>	<u>17,045</u>	<u>---</u>	<u>25,622</u>
Total accumulated depreciation	<u>307,051</u>	<u>43,954</u>	<u>---</u>	<u>351,005</u>
Total capital assets being depreciated, net	<u>423,952</u>	<u>71,103</u>	<u>---</u>	<u>495,055</u>
Governmental activities capital assets, net	\$ <u>427,489</u>	<u>71,103</u>	<u>---</u>	<u>498,592</u>

Included in machinery, equipment and vehicles is equipment valued at \$12,979 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$1,298 and accumulated depreciation of \$3,894.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>588,451</u>	<u>927,569</u>	---	<u>1,516,020</u>
Total capital assets not being depreciated	<u>594,201</u>	<u>927,569</u>	---	<u>1,521,770</u>
Capital assets being depreciated:				
Buildings	2,897,635	---	---	2,897,635
Machinery, equipment and vehicles	661,438	4,982	---	666,420
Infrastructure, sewer, water, electric, gas networks	<u>3,762,882</u>	<u>95,561</u>	---	<u>3,858,443</u>
Total capital assets being depreciated	<u>7,321,955</u>	<u>100,543</u>	---	<u>7,422,498</u>
Less accumulated depreciation for:				
Buildings	1,602,520	82,261	---	1,684,781
Machinery, equipment and vehicles	446,596	36,821	---	483,417
Infrastructure, sewer, water, electric, gas networks	<u>1,688,325</u>	<u>122,362</u>	---	<u>1,810,687</u>
Total accumulated depreciation	<u>3,737,441</u>	<u>241,444</u>	---	<u>3,978,885</u>
Total capital assets being depreciated, net	<u>3,584,514</u>	<u>(140,901)</u>	---	<u>3,443,613</u>
Business type activities capital assets, net	<u>\$ 4,178,715</u>	<u>786,668</u>	---	<u>4,965,383</u>

Included in machinery, vehicles and vehicles is equipment valued at \$49,186 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$4,919 and accumulated depreciation of \$13,117.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

Public safety	\$ 4,407
Public works, which includes the depreciation of general infrastructure assets	32,397
Culture and recreation	6,765
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ <u>43,954</u> =====

Business type activities:

Water	\$ 45,181
Sewer	48,766
Electric	138,240
Gas	<u>9,257</u>
Total depreciation expense – business type activities	\$ <u>241,444</u> =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes:					
Corporate purpose	\$ 35,000	---	35,000	---	---
Water improvements	300,000	---	40,000	260,000	40,000
Capital lease	<u>6,675</u>	<u>---</u>	<u>6,675</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 341,675</u>	<u>---</u>	<u>81,675</u>	<u>260,000</u>	<u>40,000</u>
	=====	=====	=====	=====	=====
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
Revenue bonds/notes:					
Electric	\$ 1,585,000	---	65,000	1,520,000	70,000
Sewer	514,000	---	30,000	484,000	32,000
Capital lease	<u>13,352</u>	<u>---</u>	<u>13,352</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 2,112,352</u>	<u>---</u>	<u>108,352</u>	<u>2,004,000</u>	<u>102,000</u>
	=====	=====	=====	=====	=====

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2006

General obligation bonds/notes

One issue of unmatured general obligation bonds/notes, totaling \$260,000, is outstanding at June 30, 2006. General obligation bonds bear interest at rates ranging from 3.60% to 5.40% and mature in varying annual amounts, ranging from \$30,000 to \$50,000, with the final maturities due in the year ending June 30, 2012.

Details of general obligation bonds/notes payable at June 30, 2006 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2005</u>
General obligation bonds/notes:						
Corporate purpose	April 1, 2002	3.60%-5.10%	June 30, 2012	35,000-50,000	\$ 400,000	\$ <u>260,000</u>
Total governmental activities						\$ <u>260,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending	<u>General Obligation</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 40,000	12,525	52,525
2008	40,000	10,765	50,765
2009	40,000	8,925	48,925
2010	45,000	7,005	52,005
2011	45,000	4,800	49,800
2012	<u>50,000</u>	<u>2,550</u>	<u>52,550</u>
Total	\$ 260,000	46,570	306,570

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2006

Revenue notes

Two issues of unmatured revenue bonds/notes, totaling \$2,004,000, are outstanding at June 30, 2006. These bonds/notes bear interest at rates of 1.60% to 4.70% and mature in varying annual amounts ranging from \$30,000 to \$135,000, with the final maturities due in the year ending June 30, 2022.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate hotel and motel tax revenue, sewer and water bond sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2006, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2006 are as follows:

Business type activities:	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2006</u>
Revenue bonds/notes:						
Electric revenue	Feb. 1, 2004	1.60%-4.70%	June 1, 2022	65,000-135,000	\$ 1,650,000	\$ 1,520,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	4.19%	June 30, 2018	30,000-50,000	699,000	<u>484,000</u>
Total business type activities						<u>\$ 2,004,000</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending <u>June 30,</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 102,000	77,589	179,589
2008	103,000	74,617	177,617
2009	105,000	71,443	176,443
2010	111,000	68,030	179,030
2011	117,000	64,251	181,251
2012-2016	663,000	253,420	916,420
2017-2021	668,000	114,731	782,731
2022	<u>135,000</u>	<u>6,345</u>	<u>141,345</u>
Total	<u>\$ 2,004,000</u>	<u>730,426</u>	<u>2,734,426</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 8,000
	Enterprise:	
	Electric	27,980
	Gas	22,980
Debt Service	Special Revenue:	
	TIF	54,505
Internal Service: Self insurance	Enterprise:	
	Water	720
	Sewer	720
	Electric	4,521
	Gas	3,174
	Special Revenue:	
	Trust and Agency	<u>3,014</u>
Total		\$ 125,614 =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2006

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Gas	Enterprise Water	\$ 130,000
	Special Revenue	
	TIF	<u>471,900</u>
Total		<u>\$ 601,900</u> =====

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(7) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$16,402, \$15,941 and \$15,667 respectively, equal to the required contributions for each year.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2006

(8) Risk Management

The City of West Bend is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction in Progress

The City of West Bend is in the process of participating in the construction of a generating plant in Council Bluffs. As of June 30, 2006, \$1,046,946 has been expended on this project. The remaining amount to be expended is unknown at this time.

The City of West Bend is also in the process of making improvements to its sewer and water systems. As of June 30, 2006, \$469,074 has been expended on these projects. The remaining amount to be expended is approximately \$21,000.

(10) Commitments

The City has committed to a \$100,000 Economic Development loan to be paid over the next four years. This loan will be funded by tax increment funding.

The City has committed to a \$550,000 drainage project to be financed by issuance of general obligation bonds.

Required Supplementary Information

City of West Bend, Iowa

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 209,656	-	209,656
Tax increment financing	147,944	-	147,944
Other city tax	61,785	-	61,785
Licenses and permits	3,230	-	3,230
Use of money and property	13,017	49,759	62,776
Intergovernmental	206,976	-	206,976
Charges for service	19,909	2,174,331	2,194,240
Special assessments	-	2,166	2,166
Miscellaneous	50,082	269,965	320,047
Total receipts	<u>712,599</u>	<u>2,496,221</u>	<u>3,208,820</u>
Disbursements:			
Public safety	69,071	-	69,071
Public works	109,543	-	109,543
Culture and recreation	138,729	-	138,729
Community and economic development	217,132	-	217,132
General government	46,208	-	46,208
Debt service	91,395	-	91,395
Business type activities	-	3,292,868	3,292,868
Total disbursements	<u>672,078</u>	<u>3,292,868</u>	<u>3,964,946</u>
Excess (deficiency) of receipts over (under) disbursements	40,521	(796,647)	(756,126)
Other financing sources (uses), net	<u>50,960</u>	<u>(9,084)</u>	<u>41,876</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	91,481	(805,731)	(714,250)
Balances beginning of year	<u>378,744</u>	<u>2,794,709</u>	<u>3,173,453</u>
Balances end of year	<u>\$ 470,225</u>	<u>1,988,978</u>	<u>2,459,203</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
208,830	208,830	826
112,000	157,000	(9,056)
57,362	57,362	4,423
2,675	2,675	555
7,600	7,600	55,176
86,750	191,780	15,196
2,052,391	2,587,391	(393,151)
-	-	2,166
<u>25,300</u>	<u>52,580</u>	<u>267,467</u>
<u>2,552,908</u>	<u>3,265,218</u>	<u>(56,398)</u>
89,160	87,984	18,913
150,300	150,300	40,757
137,795	156,619	17,890
73,295	237,295	20,163
37,240	47,240	1,032
91,395	91,395	-
<u>2,489,900</u>	<u>3,663,626</u>	<u>370,758</u>
<u>3,069,085</u>	<u>4,434,459</u>	<u>469,513</u>
(516,177)	(1,169,241)	413,115
<u>-</u>	<u>-</u>	<u>41,876</u>
(516,177)	(1,169,241)	454,991
<u>3,435,224</u>	<u>3,435,224</u>	<u>(261,771)</u>
<u>2,919,047</u>	<u>2,265,983</u>	<u>193,220</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds			Proprietary Funds		
	Cash	Accrual	Modified	Cash	Accrual	
	<u>Basis</u>	<u>Adjust-</u>	<u>Accrual</u>	<u>Basis</u>	<u>ments</u>	<u>Accrual</u>
		<u>ments</u>	<u>Basis</u>			<u>Basis</u>
Revenues	\$ 712,599	(10,553)	702,046	2,496,221	(161,845)	2,334,376
Expenditures/expenses	<u>(672,078)</u>	<u>12,420</u>	<u>(659,658)</u>	<u>(3,292,868)</u>	<u>1,121,202</u>	<u>(2,171,666)</u>
Net	40,521	1,867	42,388	(796,647)	959,357	162,710
Other financing sources, net	50,960	(3,014)	47,946	(9,084)	(51,011)	(60,095)
Beginning fund balances/ net assets	<u>378,744</u>	<u>9,133</u>	<u>387,877</u>	<u>2,794,709</u>	<u>3,325,846</u>	<u>6,120,555</u>
Ending fund balances/net assets	<u>\$ 470,225</u>	<u>7,986</u>	<u>478,211</u>	<u>1,988,978</u>	<u>4,234,192</u>	<u>6,223,170</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$712,310 and increased budgeted disbursements by \$1,365,374. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of West Bend, Iowa

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2006

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Assets				
Cash	\$ 56,854	17,347	124,343	16,771
Receivables:				
Property tax:				
Delinquent	-	135	-	-
Succeeding year, including tax increment financing	-	32,000	-	-
Accrued interest	-	10	154	-
Due from other governments	-	-	170	3,200
Total assets	<u>\$ 56,854</u>	<u>49,492</u>	<u>124,667</u>	<u>19,971</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	32,000	-	-
Total liabilities	-	32,000	-	-
Fund equity:				
Fund balances:				
Unreserved reported in:				
Special revenue funds	56,854	17,492	124,667	19,971
Debt service fund	-	-	-	-
Total fund equity	<u>56,854</u>	<u>17,492</u>	<u>124,667</u>	<u>19,971</u>
Total liabilities and fund equity	<u>\$ 56,854</u>	<u>49,492</u>	<u>124,667</u>	<u>19,971</u>

See accompanying independent auditor's report.

Schedule 1

<u>TIF</u>	<u>Debt Service</u>	<u>Total</u>
488	58	215,861
329	326	790
148,000	35,000	215,000
-	-	164
-	-	3,370
<u>148,817</u>	<u>35,384</u>	<u>435,185</u>
148,000	35,000	215,000
148,000	35,000	215,000
817	-	219,801
-	384	384
<u>817</u>	<u>384</u>	<u>220,185</u>
<u>148,817</u>	<u>35,384</u>	<u>435,185</u>

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

		Special Revenue		
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Revenues:				
Property tax	\$ -	16,605	-	-
Tax increment financing	-	-	-	-
Other city tax	-	15	44,036	12,700
Use of money and property	-	346	2,405	-
Intergovernmental	69,827	-	-	-
Miscellaneous	-	-	880	-
Total revenues	<u>69,827</u>	<u>16,966</u>	<u>47,321</u>	<u>12,700</u>
Expenditures:				
Operating:				
Public safety:				
Police	-	12,599	-	-
Public works:				
Roadway maintenance	<u>64,867</u>	<u>-</u>	<u>25,517</u>	<u>-</u>
Culture and recreation:				
Library	-	11,258	-	-
Parks	-	189	-	-
Ice skating	-	214	-	-
Swimming pool	-	1,084	-	-
Other	-	-	-	4,000
	<u>-</u>	<u>12,745</u>	<u>-</u>	<u>4,000</u>
Community and economic development:				
Economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General government:				
Mayor/council	-	153	-	-
City clerk/treasurer	-	248	-	-
	<u>-</u>	<u>401</u>	<u>-</u>	<u>-</u>
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>64,867</u>	<u>25,745</u>	<u>25,517</u>	<u>4,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,960</u>	<u>(8,779)</u>	<u>21,804</u>	<u>8,700</u>

Schedule 2

<u>TIF</u>	<u>Debt Service</u>	<u>Total</u>
-	47,645	64,250
146,977	-	146,977
-	34	56,785
-	-	2,751
-	-	69,827
-	-	880
<u>146,977</u>	<u>47,679</u>	<u>341,470</u>
-	-	12,599
-	-	90,384
-	-	11,258
-	-	189
-	-	214
-	-	1,084
-	-	4,000
-	-	16,745
<u>42,186</u>	<u>-</u>	<u>42,186</u>
-	-	153
-	-	248
-	-	401
<u>50,832</u>	<u>91,395</u>	<u>142,227</u>
<u>93,018</u>	<u>91,395</u>	<u>304,542</u>
<u>53,959</u>	<u>(43,716)</u>	<u>36,928</u>

(continued)

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/ Motel Tax</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(3,014)	-	(8,000)
Total other financing sources (uses)	-	(3,014)	-	(8,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,960	(11,793)	21,804	700
Fund balances beginning of year	51,894	29,285	102,863	19,271
Fund balances end of year	<u>\$ 56,854</u>	<u>17,492</u>	<u>124,667</u>	<u>19,971</u>

See accompanying independent auditor's report.

<hr/>		
<u>TIF</u>	<u>Debt Service</u>	<u>Total</u>
-	54,505	54,505
<u>(54,505)</u>	<u>-</u>	<u>(65,519)</u>
<u>(54,505)</u>	<u>54,505</u>	<u>(11,014)</u>
(546)	10,789	25,914
<u>1,363</u>	<u>(10,405)</u>	<u>194,271</u>
<u>817</u>	<u>384</u>	<u>220,185</u>

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2006

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
Assets			
Current assets:			
Cash	\$ 3,939	11,756	15,695
Accounts receivable	-	11,355	11,355
Interest receivable	-	11	11
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>3,939</u>	<u>23,122</u>	<u>27,061</u>
Liabilities			
Current liabilities:			
Accounts payable	-	7,222	7,222
Consumer deposits	<u>3,939</u>	-	<u>3,939</u>
Total liabilities	<u>3,939</u>	<u>7,222</u>	<u>11,161</u>
Net assets			
Unrestricted	<u>-</u>	<u>15,900</u>	<u>15,900</u>
	<u>\$ -</u>	<u>15,900</u>	<u>15,900</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year ended June 30, 2006

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ -	83,026	83,026
Total operating revenues	-	83,026	83,026
Operating expenses:			
Business type activities:			
Contractual services	-	79,713	79,713
Other supplies and expenses	-	3,799	3,799
Total operating expenses	-	83,512	83,512
Operating income (loss)	-	(486)	(486)
Non-operating revenues (expenses):			
Interest and investment revenue	-	157	157
Total non-operating revenue (expenses)	-	157	157
Change in net assets	-	(329)	(329)
Net assets beginning of year	-	16,229	16,229
Net assets end of year	\$ -	15,900	15,900

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:			
Property tax	\$ 209,722	201,365	193,519
Tax increment financing revenue	146,977	134,041	94,079
Other city tax	56,917	62,266	56,931
Licenses and permits	3,230	3,115	3,283
Use of money and property	13,292	7,584	5,899
Intergovernmental	210,543	152,098	238,550
Charges for service	11,903	9,943	8,478
Miscellaneous	<u>49,462</u>	<u>30,831</u>	<u>21,455</u>
Total	<u>\$ 702,046</u>	<u>601,243</u>	<u>622,194</u>
Expenditures:			
Operating:			
Public safety	\$ 68,924	76,435	91,467
Public works	109,412	238,622	178,388
Culture and recreation	123,805	145,456	131,270
Community and economic development	169,720	102,183	175,995
General government	45,570	37,267	30,803
Debt service	<u>142,227</u>	<u>168,150</u>	<u>87,203</u>
Total	<u>\$ 659,658</u>	<u>768,113</u>	<u>695,126</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Water Utility
Years ended June 30, 2006 and 2005

Schedule 6

	<u>6-30-06</u>	<u>6-30-05</u>
Operating revenues:		
Metered sales	\$ 96,522	92,484
Miscellaneous	<u>6,837</u>	<u>1,292</u>
Total operating revenue	<u>103,359</u>	<u>93,776</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	12,121	11,261
Payroll taxes and benefits	5,092	3,714
Utilities	12,243	10,803
Salt and supplies	17,116	18,368
Building and equipment maintenance	19,900	8,353
Insurance	1,912	2,446
Miscellaneous	<u>2,175</u>	<u>1,534</u>
	<u>70,559</u>	<u>56,479</u>
Depreciation:		
Water tower	8,918	8,918
Treatment plant	35,474	35,474
Equipment	<u>789</u>	<u>673</u>
	<u>45,181</u>	<u>45,065</u>
Total operating expenses	<u>115,740</u>	<u>101,544</u>
Operating income (loss)	<u>(12,381)</u>	<u>(7,768)</u>
Non-operating revenues (expenses):		
Interest income	562	291
Interest expense	<u>(656)</u>	<u>(2,024)</u>
Total non-operating revenues (expenses)	<u>(94)</u>	<u>(1,733)</u>
Net income (loss) before operating transfer	(12,475)	(9,501)
Interfund transfer	<u>(720)</u>	<u>(102)</u>
Net income (loss)	<u><u>\$ (13,195)</u></u>	<u><u>(9,603)</u></u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Sewer Utility
Years ended June 30, 2006 and 2005

Schedule 7

	<u>6-30-06</u>	<u>6-30-05</u>
Operating revenues:		
Sewer rental charges	\$ 133,695	129,854
Miscellaneous	<u>6,610</u>	<u>40</u>
Total operating revenue	<u>140,305</u>	<u>129,894</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	12,121	11,261
Payroll taxes and benefits	5,092	3,714
Utilities	1,601	1,779
Maintenance and repair	16,943	1,207
Insurance	596	808
Professional fees	1,283	1,787
Supplies	1,700	1,258
Miscellaneous	<u>513</u>	<u>482</u>
	<u>39,849</u>	<u>22,296</u>
Depreciation:		
Furniture and fixtures	1,105	197
Sewer plant	<u>47,661</u>	<u>47,661</u>
	<u>48,766</u>	<u>47,858</u>
Total operating expenses	<u>88,615</u>	<u>70,154</u>
Operating income	<u>51,690</u>	<u>59,740</u>
Non-operating revenues (expenses):		
Interest income	4,157	2,674
Interest expense	<u>(20,803)</u>	<u>(22,165)</u>
Total non-operating revenues (expenses)	<u>(16,646)</u>	<u>(19,491)</u>
Net income before operating transfer	35,044	40,249
Interfund transfer	<u>(720)</u>	<u>299,898</u>
Net income	<u>\$ 34,324</u>	<u>340,147</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2006 and 2005

Schedule 8

	<u>6-30-06</u>	<u>6-30-05</u>
Operating revenues:		
Metered sales	\$ 1,085,557	929,681
Miscellaneous	<u>18,965</u>	<u>11,870</u>
Total operating revenue	<u>1,104,522</u>	<u>941,551</u>
Operating expenses:		
Production:		
Salaries	34,380	32,596
Payroll taxes and benefits	11,613	11,666
Electric energy purchased	578,397	456,278
Maintenance - Plant, building and grounds	18,121	19,608
Maintenance - Engines and generators	<u>59,492</u>	<u>29,085</u>
	<u>702,003</u>	<u>549,233</u>
Distribution system maintenance:		
Salaries	21,316	20,313
Payroll taxes and benefits	6,343	6,385
Lines, poles, towers, conductors, meters, etc.	16,914	29,087
Telephone and radio	1,081	838
Motor vehicles	6,949	5,505
Supplies	6,100	1,055
Maintenance - Building	<u>13,060</u>	<u>11,397</u>
	<u>71,763</u>	<u>74,580</u>
Collection and accounting:		
Salaries	29,324	27,308
Payroll taxes and benefits	10,922	10,985
Office supplies	2,616	2,161
Programming	<u>2,902</u>	<u>2,766</u>
	<u>45,764</u>	<u>43,220</u>
Administrative:		
Salaries	23,309	22,331
Payroll taxes and benefits	6,741	6,663
Professional fees	7,699	8,950
Travel and meetings	957	1,335

(continued)

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2006 and 2005

Schedule 8

	<u>6-30-06</u>	<u>6-30-05</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	17,458	25,383
Telephone and radio	1,732	1,679
Miscellaneous taxes	6,698	7,153
Property taxes	11,256	11,738
Miscellaneous	<u>10,031</u>	<u>10,322</u>
	<u>85,881</u>	<u>95,554</u>
Depreciation:		
Buildings	685	685
Generating plant and equipment	36,629	36,675
Distribution system	71,637	68,321
Furniture and fixtures	8,606	6,937
Vehicles	<u>20,683</u>	<u>25,185</u>
	<u>138,240</u>	<u>137,803</u>
Total operating expenses	<u>1,043,651</u>	<u>900,390</u>
Operating income	60,871	41,161
Non-operating revenues (expenses):		
Interest income	39,965	37,025
Interest expense	<u>(59,172)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(19,207)</u>	<u>37,025</u>
Net income before operating transfers	41,664	78,186
Operating transfers	<u>(32,501)</u>	<u>(33,246)</u>
Net income (loss)	<u>\$ 9,163</u>	<u>44,940</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Gas Utility
Years ended June 30, 2006 and 2005

Schedule 9

	<u>6-30-06</u>	<u>6-30-05</u>
Operating revenues:		
Metered sales	\$ 811,014	786,440
Miscellaneous	<u>9,118</u>	<u>2,837</u>
Total operating revenue	<u>820,132</u>	<u>789,277</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>592,181</u>	<u>490,885</u>
Distribution system maintenance:		
Salaries	22,288	19,832
Payroll taxes and benefits	7,195	6,309
Utilities	4,833	4,782
Meters, mains, valves	9,960	4,871
Equipment and building repairs	14,517	14,441
Miscellaneous	<u>3,170</u>	<u>2,458</u>
	<u>61,963</u>	<u>52,693</u>
Collection and accounting:		
Salaries	29,323	27,307
Payroll taxes and benefits	10,922	11,471
Office supplies	2,296	2,097
Professional fees	<u>2,902</u>	<u>2,766</u>
	<u>45,443</u>	<u>43,641</u>
Administrative:		
Salaries	21,404	19,220
Payroll taxes and benefits	6,963	6,751
Insurance	6,246	6,183
Professional fees	4,105	4,263
Telephone	1,732	1,679
Meetings and travel	2,592	1,959
Amortization and gas allocating costs	300	300
Dues	2,334	2,214
Miscellaneous	<u>4,997</u>	<u>5,655</u>
	<u>50,673</u>	<u>48,224</u>

(continued)

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Gas Utility
Years ended June 30, 2006 and 2005

Schedule 9

	<u>6-30-06</u>	<u>6-30-05</u>
Operating expenses (continued):		
Depreciation:		
Buildings	555	555
Distribution systems	3,064	3,208
Furniture and fixtures	2,155	1,949
Vehicles	<u>3,483</u>	<u>3,928</u>
	<u>9,257</u>	<u>9,640</u>
 Total operating expenses	 <u>759,517</u>	 <u>645,083</u>
 Operating income	 60,615	 144,194
 Non-operating revenues (expenses):		
Interest income	38,191	24,602
Motel grant	<u>-</u>	<u>(75,000)</u>
Total non-operating revenues (expenses)	<u>38,191</u>	<u>(50,398)</u>
 Net income before operating transfers	 98,806	 93,796
 Operating transfers to governmental funds	 <u>(26,154)</u>	 <u>(27,901)</u>
 Net income	 <u>\$ 72,652</u>	 <u>65,895</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 20, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Bend's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Bend's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Bend and other parties to whom the City of West Bend may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Bend during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

July 20, 2006

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.

II-B-06 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bruce Helleseeth, Council Member, Owner of Helleseeth Construction	Street Repairs	\$ 2,162

This transaction does not appear to represent a conflict of interest since the total transaction is less than \$2,500.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2006

- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-06 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City's revenue bonds/notes were complied with.